Property prices in Hong Kong are extremely high and it is very difficult for ordinary citizens to own their homes. The Demographia International Housing Affordability Survey 2014 reported that Hong Kong’s housing is the least affordable among 85 major metropolitan markets.¹ The median home price was more than $500,000 while the annual median household income was just about $34,831.² The median multiple (house price divided by income) of Hong Kong and Los Angeles is 14.9 and 7.9 respectively. Hong Kong’s median multiple is nearly double that of Los Angeles. Severely unaffordable housing becomes the concern of citizens and public pressure encourages the government to pay extra attention on the issue. To fulfill citizens’ needs, the Hong Kong government has a goal of increasing the housing supply and providing low price housing.

The general objectives of Hong Kong’s housing policy include assisting families to secure public housing to meet their basic housing needs; assisting the public to choose accommodation according to their affordability and personal circumstances, and encouraging those who can afford it to buy their own homes.

¹ http://www.demographia.com/dhi.pdf
To meet those objectives, the Hong Kong Housing Authority (HKHA) promotes and produces several kinds of affordable housing for the public. Most of them aim at low-to-middle income households and provide a way for them to own a home. The first one is Public Rental Housing (PRH). PRH units are built by the HKHA and the Hong Kong Housing Society and target at lower income residents. The rent of public housing is significantly lower than private housing because they are subsidized by the government. As at 31 March 2013, the rent of PRH flat ranged from $49 to $500 and about 2.09 million people (30% of the population) are living in those flats.³

In 2012/13, 117,000 general applicants and 112,000 non-elderly one-person applicants are still on the waiting list. In order to be eligible for applying a PRH flats, means tests of income and assets of the applicants or family have to be conducted to ensure the flat will be allocated to people who are in need. For example, for a 4 people family, the maximum income limit per month is $3084 and the total net asset limit is $58700. Eligible applicants can get registered on the waiting list and wait for a housing offer. The government would like to keep the average waiting time for general applicants at around 3 years. However, there is a report showing that during July 2013 to June 2014, 30% applicants have waited more than 3 years.⁴

In the policy address 2013, the Chief Executive has stated the goal of increasing the number of PRH flats by 179,000 units in 10 years.⁵ To this end, the government has acquired farmland in remote area of the city in order to build PRH estates. In April 2014, the government bought 35 pieces of private farmland for the construction of about 3000 PRH flats. However, every time the government wants to get farmland from villagers, there will be fierce opposition from the villagers. They are usually dissatisfied with the compensation that the government offers them and will protest and seek to hinder the action by blocking the village entrance to prevent government staff going in. This opposition lengthens the time needed for completion of new PRH flats.⁶

The Home Ownership Scheme (HOS) is also a mass program promoting affordable housing. Rather than renting public housing flats to low-income households, it sells the flat to eligible tenants at a price lower than the market price, usually with 30-40% discount. This program could encourage some better-off tenants of PRH flats to vacate their flats for re-allocation to households that are more in need, and provides a chance for family that are not able to buy flats in private market to own a home. Since 1978, about 476800 flats have been sold to eligible households under the scheme.

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About 17% of the population are living in HOS flats. There are two kinds of applicants who can purchase a flat under the scheme, Green Form and White Form applicants. The main difference between the two kinds of applicants is that Green Form applicants are PRH tenants while White Form applicants are people who are living in private housing (subject to income and asset limit). In 2003, the HKHA ceased the production and sale of HOS flats because the government wants to avoid direct participation in the property market and to let the market adjust automatically by itself. However, due to the high demand of affordable housing, the government decided to resume the production in 2011 and it now aims to increase the number of HOS flats by 17000 units over the four years from 2016/17 onwards.

To further increase the amount of HOS flats, some of the PRH estates were converted into HOS flats. Although they are located in remote area, it is estimated that they can still attract some young people who enjoy a relaxing lifestyle and living near retired people. Also, there is a HOS Secondary Market Scheme which enables PRH flats tenants and Green Form holders to buy a HOS flats. The scheme would increase the turnover of HOS flats and to redistribute them to satisfy more people’s needs.

To assist the implementation of HOS, Private Sector Participation Scheme (PSPS) was introduced in 1977. The government would invite private developers to bid for land and build HOS flats as a way to increase the amount of available units by organization other than the government. Although the flats will be built by private developers, they still have to follow the design regulations of ordinary HOS flats. The developer will be responsible for the housing’s maintenance. Private developers can then get the property rights of the land with a lower price and make money by selling the parking space and operating shops in the estate.

Last but not least, Tenants Purchase Scheme (TPS) was introduced in 1998 for PRH tenants to buy their flats at discounted price. The scheme was implemented in 39 housing estates, a total of 183,700 units are available for sale. Through 2012, 121,000 units were sold. The scheme does not perform well in terms of promoting affordable housing. There are two major problems with TPS. The first problem is that since PRH flats were being sold, it reduced the overall housing supply of affordable rental units. PRH applicants may have to wait for a longer time. It doesn’t make sense when the housing demand is so high. The second

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9 http://www.skypost.hk/%E6%B8%AF%E8%81%9E/%E8%A6%81%E8%81%9E/20140325/001/%E5%A4%A7%E6%BE%B3%E5%B1%85%E5%B3%A364%E8%90%AC%203%E8%90%AC%E5%8F%A
F%E4%B8%8A%E8%B8%A/132835
problem is that within the same estate, there may be flat tenants and flat owners. When owners have to pay for facilities and services in the estate but tenants do not have to, the problem of unfair treatment occurs. As a result, this scheme was ended after the last phase of its implementation in 2005.

Apart from the housing that the government provides, private housing is also an important part of the housing stock in Hong Kong. While 46.5% of Hong Kong population are living in public housing, private housing accounts for 53%. To prevent the private residential property market from overheating, the government introduced the Buyer Stamp Duty (BSD) and Special Stamp Duty (SSD) in 2012 and it was passed in the legislative council in 2014. 15% of BSD will be charged for non-local buyers or people who purchase the property in the name of a company. As for the SSD, if the property owner resold the property within 36 months, they will have to pay the SSD. (The percentage depends on the time that they sold the property)\(^\text{11}\)

Shanghai is one of the cities in China with high property prices. The cost of housing in the city increased by 15.5% in 2014 compared with last year.\(^\text{12}\) Shanghai is a pioneer in promoting affordable housing among the different cities in China. Affordable housing in Shanghai is called low-rent housing. They are exclusively for renting but not for selling. Applicants have to fulfill certain conditions in order to be given low-rent housing. Through the end of 2009, more than 66,000 households are living in low-rent housing.\(^\text{13}\)

The government will subsidize people for housing by two methods. The first one is the rent subsidies. Eligible households can get their basic rent subsidies according to their home size and subsidy standard in their living district. In some prosperous districts like Jingan, HongKou, the rent subsidy could be up to $10 per square meter. With the subsidy, the family can rent housing in the market directly. This is the major method of providing low-rent housing to the low-income citizens. Through 2012, 20,490 households were given a low-rent housing subsidy.\(^\text{14}\) The second method is that the government provides low-rent houses to qualified households. The size of the low-rent housing will be the difference between existing housing size and the low-rent house size. The living area per capita is 10 square meter. Living area here refers to total size of the flat.\(^\text{15}\) 5% of the family income will be charged as rents of the house. This method is relatively a minor one compare to rent subsidies, only 350 households were given a house through this kind of subsidies through 2012.

\(^\text{11}\) http://www.ird.gov.hk/eng/faq/ssd.htm
\(^\text{12}\) http://paper.wenweipo.com/2014/04/19/YO1404190008.htm
\(^\text{13}\) http://www.cih.org.hk/publication_dnload/HousingExpress201009/04_cover_story.pdf
\(^\text{15}\) http://sh.bendibao.com/zffw/2011812/63395.shtml
According to the regulations, there are three kinds of low-rent housing sources. They are: acquisition of general housing, acquisition of public housing that meet the standard of low-rent housing and from community donation. However, each of them faces different problems and the city has not yet provided a sufficient amount of low-rent housing to fulfill citizens' needs. Therefore, the government is looking for more housing in the market. Some low-rent housing units were organized in central areas of Shanghai like Huangpu and Jingan district to increase the supply of them. In Los Angeles, the housing market is viewed as the least affordable within the U.S. according to The State of the Nation’s Housing 2014. Over half of the L.A. households spend at least 50% of their income on rent.\(^1\) The median housing price is $500k according to LA Business Journal.\(^2\) In order to provide long-term rental housing to low-income residents, the state-chartered public agency Housing Authority of the City of Los Angeles (HACLA) operates 14 public housing sites in the city and provides more than 6500 units in total. The rent for the public housing will be subsidized by the federal government.\(^3\) There are annual income limits for applicants and they will be places on waiting list and provided up to three offers of housing units at different sites.\(^4\) This practice is more similar as the PRH flats in Hong Kong, which the authority owns and operates the housing and rent them out to citizens in need in a lower price.

Apart from running public housing sites, HACLA also implement the Section 8 Program. The program is financed by the U.S. Department of Housing and Urban Development (HUD) to provide rent subsidies to private landlords on behalf of extremely low-income individuals or households, seniors and disabled people. Eligible applicants will receive assistance in the form of voucher to rent a unit. The unit must meet the Section 8 Housing Quality Standards and the rent must be reasonable. Participants of the program pay about 30% of their income for the rent and the HUD pays the rest of the rent to the land owner. By 2012, the program had grown to more than 47,500 vouchers.\(^5\)

A variety of Section 8 programs were offered to eligible families. Such as the New Construction Program. Housing developers were encouraged to construct new rental housing for low-income families. The Section 8 rental assistance does not provide funding for the construction. HUD guarantees a Housing Assistance Payment contract with the building’s owner to leverage new construction financing. The rent subsidy in the program is a Project-Based Rental Assistance. The tenant has to remains in the

\(^1\) http://losangeles.cbslocal.com/2014/06/26/la-tops-study-as-least-affordable-us-housing-market/
\(^2\) http://la.curbed.com/archives/2014/06/las_median_home_price_tops_500k_for_first_time_since_2007.php
\(^3\) http://www.hacla.org/attachments/contentmanagers/60/Housing%20Developments.pdf
\(^4\) http://www.hacla.org/apply-public-housing/
\(^5\) http://www.hacla.org/section8/
building during the term of the contract in order to receive the rental subsidy.\textsuperscript{21} To conclude, increasing affordable housing supply in these extremely high price property markets is essential to ensure the quality of life and reduce the burden for individuals or households. Practical housing program should be encouraged and improved continuously to respond to the needs of the people.

\textsuperscript{21} http://www.hacla.org/specialprograms/#new-construction